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ANNUAL REPORT 1973



BODI-GARD CANADA LIMITED

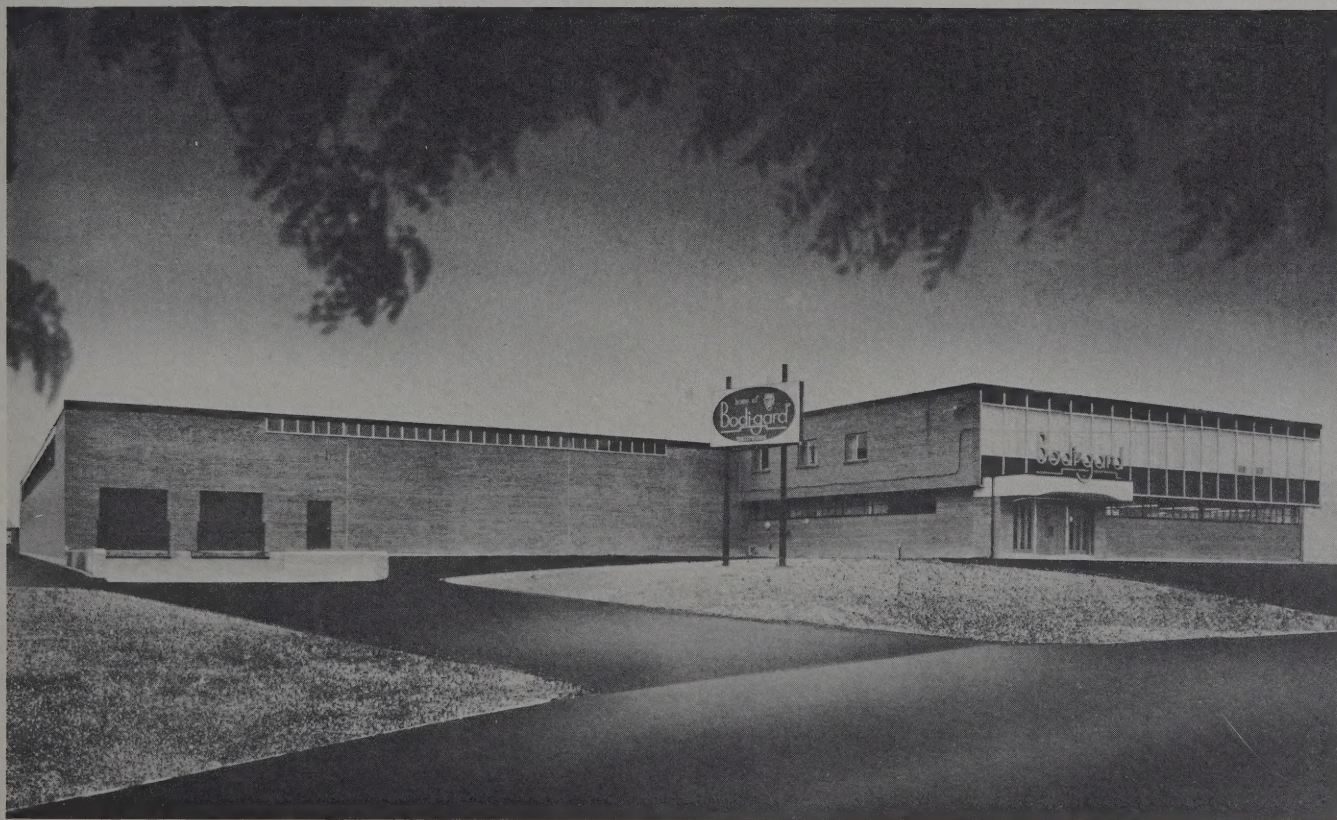
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Head office and manufacturing plant,  
18 Gail Grove Road, Weston, Ontario.





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## FINANCIAL HIGHLIGHTS

	1973	1972
Sales	\$2,680,258	\$1,166,632
Net Income from Operations	107,291	70,155
Per Share	24¢	18¢
Working Capital	270,000	237,655
Shareholder Equity	408,336	298,746
Per Share	90¢	66¢
No. of Shares	451,148	449,998

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## BODI-GARD CANADA LIMITED

### Officers

Harry Moses Adler, *President*  
Irwin Singer, *Secretary*  
Lyle Agnes Cheesman, *Treasurer*

### Directors

Harry Moses Adler  
Irwin Singer  
Lyle Agnes Cheesman  
Harvey Kenneth Weiner  
Harold J. McPhail

### Auditors

Starkman, Kraft, Rothman, Berger & Grill

### General Counsel

Solomon & Singer

### Head Office

18 Gail Grove Road, Weston, Ontario

### Registrar and Transfer Agent

The Sterling Trusts Corporation

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November 27, 1973

Dear Shareholder;

I am pleased to submit the Company's annual report for the year ended June 30th, 1973. The financial statements reflect a comparison of the current twelve months against the previous nine months of operations. Net earnings increased to \$107,291 or 24¢ per common share for the current period as compared to \$64,240 or 16¢ per share for the nine months ended June 30th, 1972.

In order to properly service the continuing expansion of the Woolco chain of department stores, the Company leased an additional 20,000 sq. ft. of space to increase the production of mattresses as well as begin the production of the "Rembrandt" line of upholstered furniture. This line of medium to high price living room suites and convertible beds was introduced in July 1973 and has met with excellent success. At the present time the upholstered furniture department is operating at full capacity and is "sold out" until March of 1974. In the first twelve months of operations, it is anticipated that sales from that department will exceed \$500,000.

The growth of our mattress sales continues unabated and is increasing at the rate of 25% per annum. This increase is due to the buoyant Canadian economy and the continuing growth of the Woolco Department Stores. At the present time your Company is servicing sixty-nine Woolco stores and thirty-two major F. W. Woolworth stores in Canada. It is anticipated that by the end of 1974, twelve additional Woolco stores will be in operation.

On November 11th, 1973, the Company entered into an agreement to sell its wholly owned subsidiary, Sleeprite Bedding Industries Inc., of Miami, Florida.

This company was purchased with a view of providing a manufacturing facility to service the Woolco organization in the southern United States. However, management found that too much time in management effort was being devoted to the Florida operation and detracting from the rapidly expanding business in Canada. In the current year that subsidiary incurred an operating loss of \$25,910 or approximately 5¢ per common share. Consequently, without the loss incurred by the Florida subsidiary,



Harry M. Adler  
President

earnings would have been 29¢ per share. Although the final adjustments have not been made on the sale there will be little or no loss incurred by your Company on its initial investment.

The past year has been one of excellent sales and profits and with the expanded manufacturing facilities it appears that sales and profits will again increase to a significant extent. The continuing close and strong relationship with the Woolco and F. W. Woolworth organizations is the major factor in the Company's success to date and its strength in the future.

On behalf of the Board of Directors,

Harry M. Adler  
President





## **BODI-GARD CANADA LIMITED**

*and its wholly-owned subsidiary*

**Sleeprite Bedding Industries Inc. (Note 1)**

### **CONSOLIDATED BALANCE SHEET**

As at June 30, 1973 (Note 1)

(With comparative figures as at June 30, 1972) (Note 7)

#### **ASSETS**

##### **CURRENT ASSETS**

	<b>1973</b>	<b>1972</b>
Cash	<b>\$ 90,408</b>	<b>\$ 8,263</b>
Short-term deposit receipts	<b>34,000</b>	<b>34,000</b>
Accounts receivable	<b>491,151</b>	<b>285,005</b>
Due re issue of shares	<b>—</b>	<b>89,997</b>
Sundry receivable	<b>6,449</b>	<b>2,063</b>
Inventories (at lower of cost or net realizable value) (Note 2)	<b>248,122</b>	<b>110,231</b>
Prepaid expenses	<b>20,430</b>	<b>8,294</b>
	<b>890,560</b>	<b>537,853</b>

##### **FIXED ASSETS (at cost) (Note 3)**

Machinery and equipment	<b>134,906</b>	<b>64,634</b>
Office furniture and equipment	<b>35,800</b>	<b>7,314</b>
Motor vehicles	<b>34,586</b>	<b>23,723</b>
Leasehold improvements	<b>29,693</b>	<b>14,685</b>
Parking lot	<b>5,396</b>	<b>—</b>
Patent and trade marks (at nominal value)	<b>1</b>	<b>1</b>
	<b>240,382</b>	<b>110,357</b>
Less: Accumulated depreciation	<b>131,526</b>	<b>58,266</b>
	<b>108,856</b>	<b>52,091</b>

##### **OTHER ASSETS (at cost)**

Investments	<b>25,527</b>	<b>—</b>
Deposits	<b>1,397</b>	<b>—</b>
Deferred rent	<b>9,000</b>	<b>9,000</b>
Excess of cost of investment in shares of subsidiary company over book value thereof	<b>64,224</b>	<b>—</b>
	<b>100,148</b>	<b>9,000</b>
	<b>\$ 1,099,564</b>	<b>\$ 598,944</b>

The accompanying notes form an integral part of these financial statements.





## **BODI-GARD CANADA LIMITED**

*and its wholly-owned subsidiary*

**Sleeprite Bedding Industries Inc. (Note 1)**

### **CONSOLIDATED BALANCE SHEET**

As at June 30, 1973

(With comparative figures as at June 30, 1972) (Note 7)

#### **LIABILITIES AND SHAREHOLDERS' EQUITY**

##### **CURRENT LIABILITIES**

	1973	1972
Bank indebtedness	\$ —	\$ 11,000
Accounts payable and accrued liabilities	467,120	245,041
Income taxes payable	95,560	43,050
Note payable — portion (Note 4)	19,536	—
Loan payable to shareholder	38,344	1,107
	<u>620,560</u>	<u>300,198</u>

##### **LONG-TERM LIABILITY (Note 4)**

Note payable — re Sleeprite Bedding acquisition	90,204	—
Less: Portion above	19,536	—
	<u>70,668</u>	<u>—</u>
	<u>691,228</u>	<u>300,198</u>

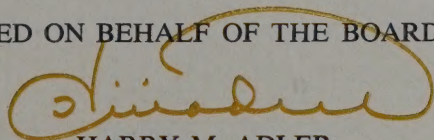
##### **SHAREHOLDERS' EQUITY**

CAPITAL (Note 8)	92,303	90,003
RETAINED EARNINGS	316,033	208,743
	<u>408,336</u>	<u>298,746</u>

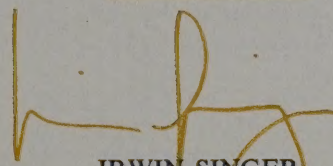
<u>\$ 1,099,564</u>	<u>\$ 598,944</u>
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The accompanying notes form an integral part of these financial statements.

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:



HARRY M. ADLER  
*Director*



IRWIN SINGER  
*Director*

To be read in conjunction with the Auditors' Report to the Shareholders attached hereto dated October 22, 1973.





## CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

For the year ended June 30, 1973 (Note 1)

(With comparative figures for the nine months ended June 30, 1972) (Note 7)

	1973	1972
SALES	\$ 2,680,258	\$ 1,166,632
COST OF SALES	2,074,511	899,203
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	369,989	139,155
DEPRECIATION AND AMORTIZATION OF FIXED ASSETS	26,907	9,482
	<u>2,471,407</u>	<u>1,047,840</u>
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	208,851	118,792
Income taxes	101,560	48,637
NET INCOME FOR PERIOD BEFORE EXTRAORDINARY ITEM	107,291	70,155
Extraordinary item	—	5,915
NET INCOME FOR THE PERIOD	107,291	64,240
RETAINED EARNINGS — beginning of period	208,742	144,502
RETAINED EARNINGS — end of period	<u>\$ 316,033</u>	<u>\$ 208,742</u>
EARNINGS PER SHARE (NOTE 10)		
EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEM	\$ 0.24	\$ 0.18
NET EARNINGS PER SHARE	0.24	0.16
FULLY DILUTED EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEM	0.22	0.15
NET FULLY DILUTED EARNINGS PER SHARE	0.22	0.14

The accompanying notes form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended June 30, 1973 (Note 1)

(With comparative figures for the nine months ended June 30, 1972) (Note 7)

	1973	1972
SOURCE OF FUNDS		
FROM OPERATIONS		
Net profit for year	\$ 107,291	\$ 64,240
Expenses not requiring cash outlay		
Depreciation of fixed assets	26,907	9,482
Organization expenses	133	538
Deposits	240	—
	<u>134,571</u>	<u>74,260</u>
Working capital of subsidiary at date of acquisition	128,754	—
Issue of common shares	2,300	89,997
	<u>265,625</u>	<u>164,257</u>
APPLICATION OF FUNDS		
Cost of shares of subsidiary company	122,310	—
Investments	27,297	—
Redemption of preferred shares	—	34,500
Acquisition of fixed assets (net)	83,673	11,805
	<u>233,280</u>	<u>46,305</u>
INCREASE IN WORKING CAPITAL	32,345	117,952
WORKING CAPITAL — beginning of period	237,655	119,703
WORKING CAPITAL — end of period	<u>\$ 270,000</u>	<u>\$ 237,655</u>

The accompanying notes form an integral part of these financial statements.





## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1973

### 1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Bodi-Gard Canada Limited and its wholly-owned subsidiary Sleeprite Bedding Industries Inc., a Florida corporation (hereinafter called Sleeprite) engaged in the manufacturing of bedding. The accounts of the subsidiary have been included in the consolidated financial statements from the date of acquisition, August 1, 1972. Accounts in foreign currency have been expressed in terms of Canadian dollars as follows:

Current Assets and Liabilities	— at the approximate rate prevailing at the year end
Fixed Assets and Accumulated Depreciation	— at historical rates
Other Assets and Liabilities	— at historical rates

### 2. INVENTORIES

Particulars of the inventories are as follows:

Raw material	\$ 200,764
Work in process	4,648
Finished goods	42,710
	<u>\$ 248,122</u>

### 3. DEPRECIATION POLICY

For accounting purposes the depreciation provisions have been based upon rates as allowed under the Income Tax Act.

### 4. LONG-TERM LIABILITY — AS FOLLOWS

Note payable — 6% payable \$19,720 annually, exclusive of interest, maturing January 15, 1978. Interest payable within the next fiscal year ended June 30, 1974 will be \$5,000 decreasing annually to approximately \$1,300 by June 30, 1977.

### 5. LEASE COMMITMENTS

As at June 30, 1973 annual obligations under long-term leases were as follows:

Bodi-Gard Canada Limited	\$63,000	expiring in 1981
Sleeprite	23,000	expiring in 1975
	<u>\$86,000</u>	

### 6. REMUNERATION OF DIRECTORS AND OFFICERS

The aggregate direct remuneration paid by the company and its subsidiary to directors and senior

officers for the year ended June 30, amounted to \$103,381.

### 7. CHANGE OF FISCAL YEAR END

On August 2, 1972 the company obtained approval from the Department of National Revenue to change its fiscal year end from September 30 to June 30 effective June 30, 1972. Accordingly, the statements of income and retained earnings and source and application of funds for the year ended June 30, 1973 have been compared to the nine month period ended June 30, 1972.

### 8. CAPITAL

#### AUTHORIZED

1,000,000	Common shares without nominal or par value, maximum consideration not to exceed	<u>\$ 1,000,000</u>
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#### ISSUED AND FULLY PAID

451,148 Shares	<u>\$ 92,303</u>
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#### SHARE PURCHASE WARRANTS

The company has outstanding 15,516 shares purchase warrants entitling the holders thereof to purchase one common share for each warrant held as follows:

To April 15, 1974	\$ 2.00 per share
April 16, 1974 to April 15, 1976	\$ 2.50 per share
April 16, 1976 to April 15, 1977	\$ 3.00 per share

#### STOCK OPTIONS

50,000 common shares of the company have been reserved for stock options. Options to purchase an aggregate of 31,000 common shares at a price of \$1.80 per share have been granted to certain directors (15,500 shares) and key employees (15,500 shares) of the company.

### 9. SUBSEQUENT EVENTS

A fire on July 30, 1973 at the Florida plant of Sleeprite caused certain inventory and building damage. Management is of the opinion that the insurance recovery of approximately \$60,000 is adequate to cover fire losses.

### 10. EARNINGS PER SHARE

Earnings per share figures are calculated using the weighted monthly average number of shares outstanding during the respective periods. Fully diluted earnings per share are calculated on the assumption that the warrants and options described in Note 8 had been exercised at the beginning of the respective periods.

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Bodi-Gard Canada Limited and its wholly-owned subsidiary Sleeprite Bedding Industries Inc. as at June 30, 1973 and the consolidated statement of income and retained earnings and the consolidated statement of source and application of funds for the period then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied upon the report of the auditors who have examined the financial statements of the wholly-owned subsidiary company.

In our opinion, these consolidated financial statements

present fairly the financial position of the company as at June 30, 1973 and the results of its operations and the source and application of its funds for the period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Respectfully submitted

STARKMAN, KRAFT, ROTHMAN, BERGER  
& GRILL

Chartered Accountants

Toronto, Ontario  
October 22, 1973





**Bodigard** manufacturer of quality mattresses

**Rembrandt**  
fine living room furniture



The Rembrandt line of fine living room furniture displayed in a modern showroom at our plant.

New machinery and equipment enable Bodigard to produce its quality bedding and furniture products.

